

April 2023



# Isio's 2023 Professional Independent Trustee Survey

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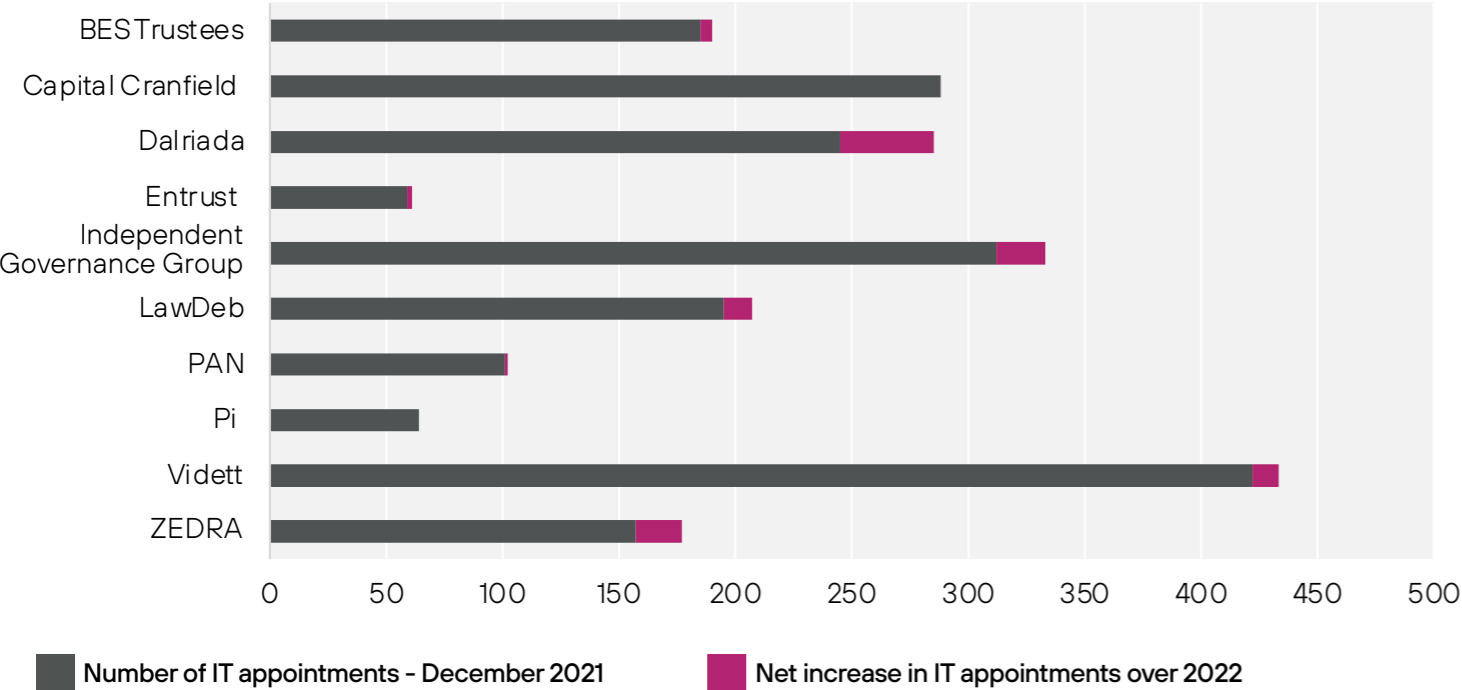
# Executive Summary

Isio's professional trustee survey is back! The past twelve months have been an exciting time for the industry, with double-digit growth and a high level of activity on pension schemes, as well as mergers of trustee firms. The survey focuses on the ten larger firms with over 50 appointments each, who operate alongside smaller firms and individual trustees.

- 10 large firms
- 290 trustee directors
- 2,100+ pension schemes
- £1,100bn in assets

"Clients don't want a trustee who nods, eats biscuits and disappears"

### Appointments



\* Capital Cranfield and Pi appointments fell over the year primarily due to more successful scheme wind-ups than new appointments over the year

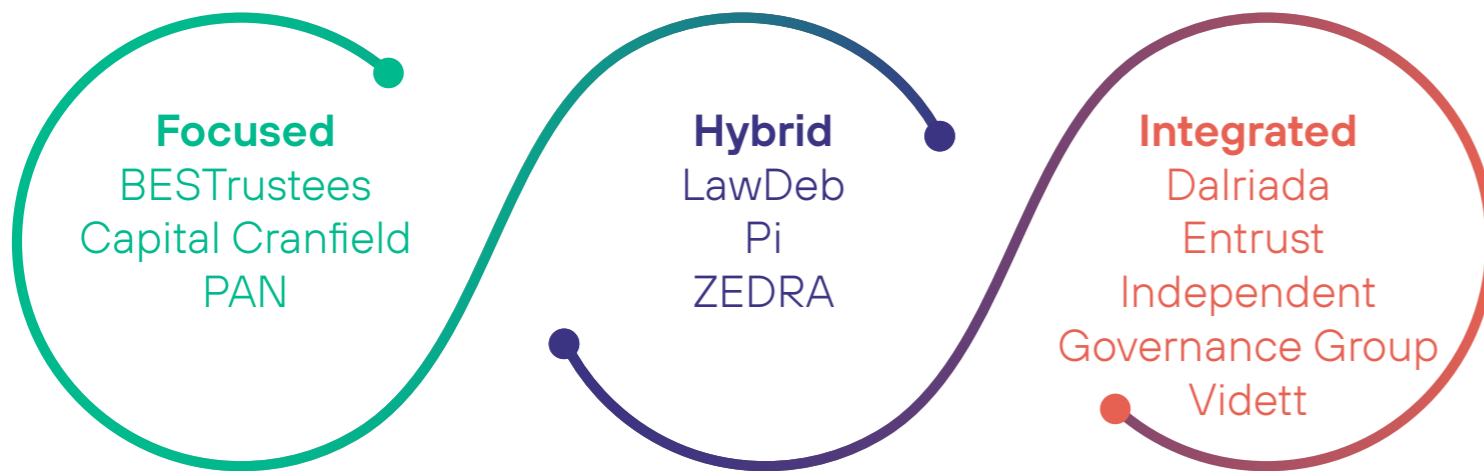


## 2022 highlights

**Growth:** The market has experienced another busy year, with 268 professional trustee roles added in 2022. After scheme wind-ups and turnover, the total number of appointments has grown by 4%. But high levels of activity on pension schemes, pricing and expansion of services have contributed to average reported revenue growth for firms of 14%.

**Consolidation:** In early 2023, there were two mergers supported by private equity investment. Independent Trustee Services Limited and Ross Trustees merged to form Independent Governance Group, while 20-20 and Punter Southall Governance Services combined to become Vidett. A number of firms made smaller acquisitions and ZEDRA bought Pitmans Trustees Limited in early 2022.

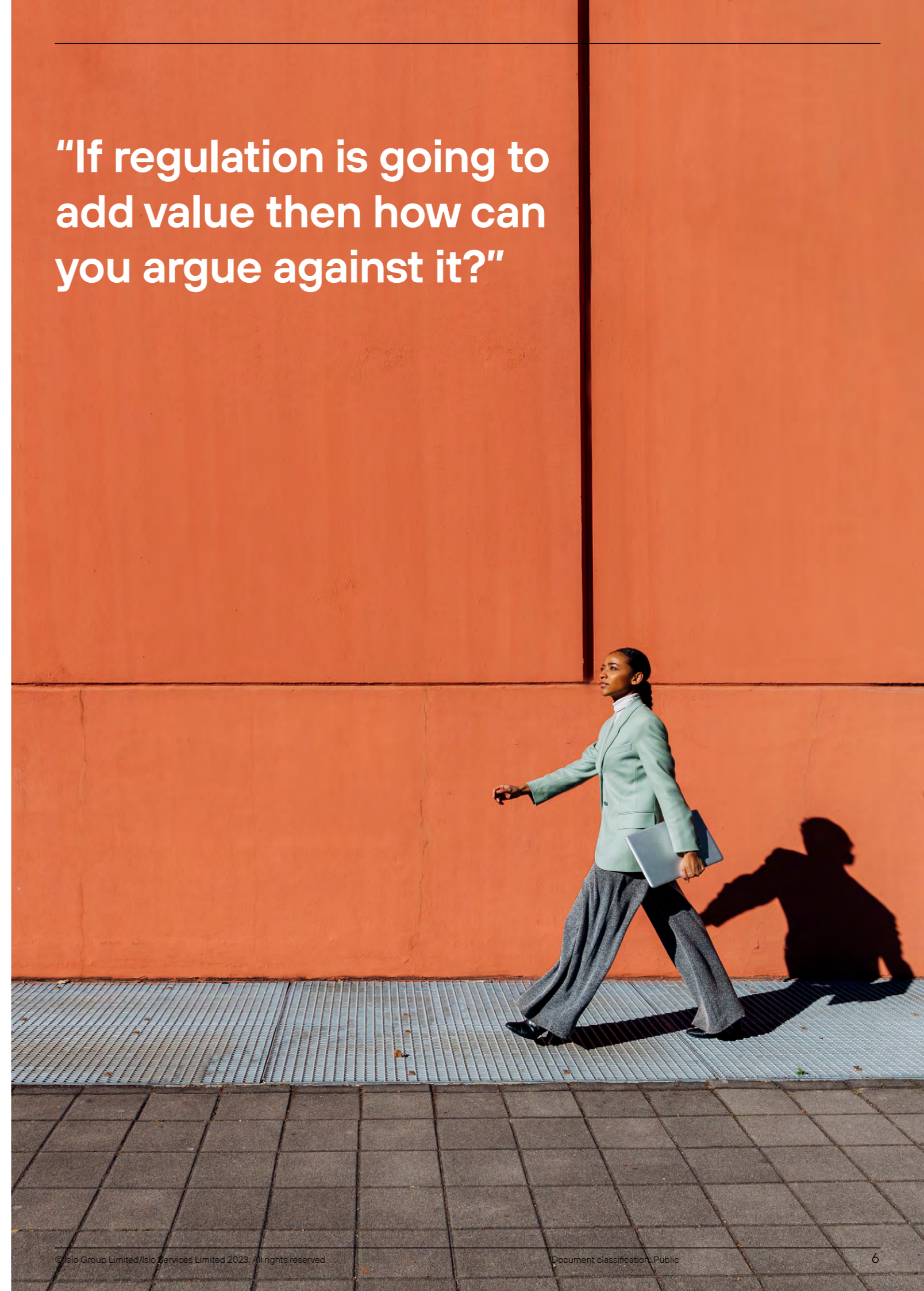
**Approach:** There is a growing divide in firms' philosophies and how they approach the market. There are distinct clusters of firms, ranging from focused firms that prioritise their independence, to integrated or bundled models where the trustee role often includes a range of governance and support services.



**Equality, Diversity and inclusion:** EDI is a growing influence on sponsors and trustee boards. Independent trustees can often address diversity gaps in larger trustee boards, particularly in terms of age, race, or gender. Demand for individuals with specific technical skills is often limited to investment or risk transfer experience.

**Future:** Firms are predicting continued growth, more consolidation, and a rising number of schemes of all sizes appointing a sole corporate trustee. Some firms are exploring diversification into related areas to secure their future in a maturing DB market. And as their influence grows, greater regulatory scrutiny of the firms is anticipated, most likely via the Pensions Regulator.

“If regulation is going to add value then how can you argue against it?”





Part 1

# The market.

**“It’s a vibrant and  
open market-place for  
professional trustees”**





# The market

The firms covered by this survey are accountable for the management of over 2,100 pension schemes, with a combined asset value exceeding £1,100 billion. The Trustee Directors, who are critical staff members for the firms, have an average of 11 years of experience. The number of them has increased from 284 in 2021 to 290, and on average, they oversee 7 appointments each.

The market has traditionally been stable, with companies focusing on organic growth. But in early 2023, two significant mergers took place: Independent Trustee Services Limited merged with Ross Trustees to create Independent Governance Group after both firms had made smaller acquisitions. And 20-20 and Punter Southall Governance Services joined forces to form Vidett. Additionally, having bought Pitmans Trustees in early 2022, ZEDRA acquired a number of smaller firms.

Despite the consolidation, the market remains very competitive, with smaller firms and sole traders vying for market share alongside the ten larger firms.

A reduction in large firms operating in the market

268 Independent Trustee appointments won

148 Independent Trustee appointments ended





# Growth

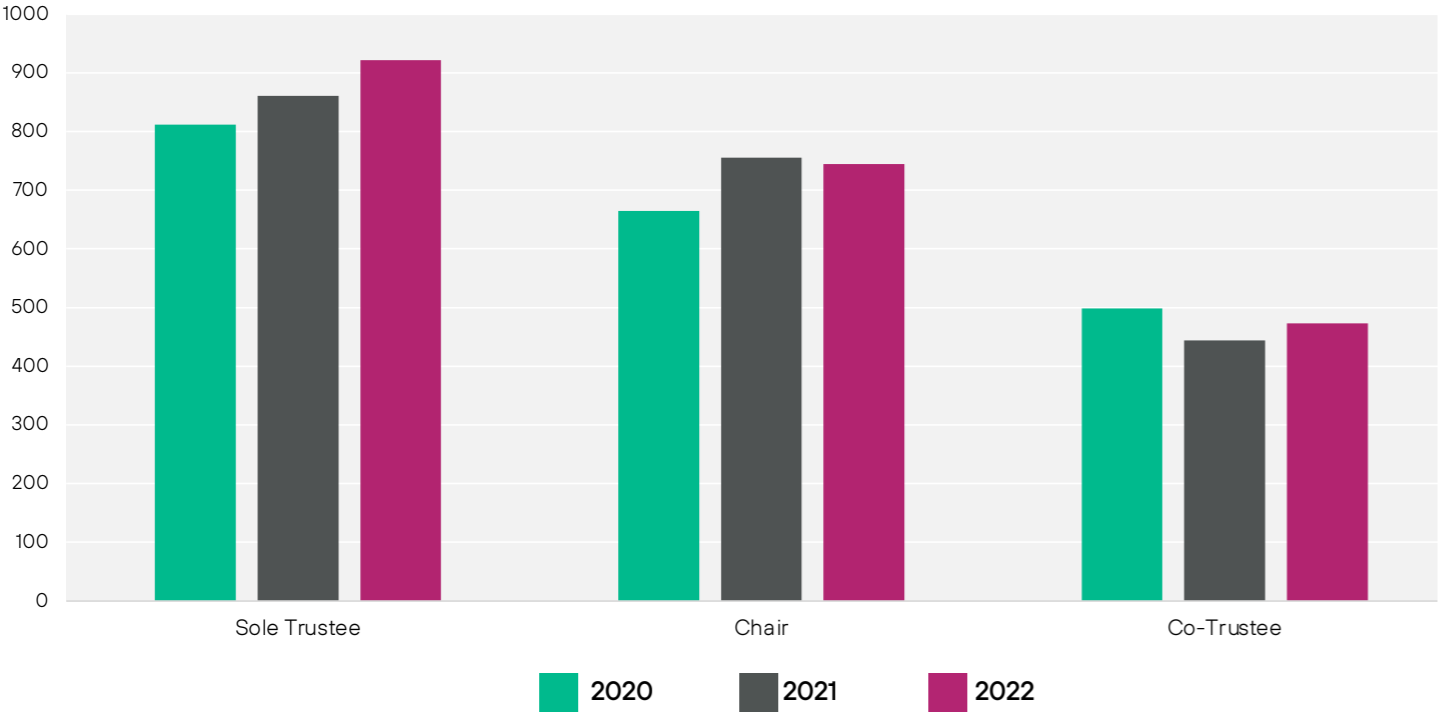
The professional trustee market continues to grow and evolve. Most of the growth still comes from pension schemes appointing a professional trustee for the first time, although replacement of existing professional trustees is continuing to grow. In addition, some firms are evolving their service offerings to aid growth and provide diversification in a maturing DB market.

	2020	2021	2022
Number of appointments	1,900	2,000	2,100
Number of trustee directors	246	284	290
Average revenue growth	17%	21%	14%



The trend towards sole trusteeship remains on the rise, with sole trustee appointments accounting for over 40% of all roles. This model is no longer restricted to smaller pension schemes, and six out of the ten firms have sole trustee appointments for pension funds of £1bn or more.

## Change in roles taken



**“The process for appointing professional trustees is far more competitive than it was 5 years ago”**





# Sole Corporate Trustee

More accurately described as a Professional Corporate Sole Trustee, the firm acts as the only trustee of the pension scheme. In practice this means that a number of staff are involved in each scheme in order to provide debate and challenge. Sole trusteeship requires different processes and governance, and some firms have a specialist centralised team that supports sole trustee clients.

The aim is typically to streamline operations, generate efficiencies and facilitate more rapid decisions with less reliance on trustee meeting schedules and need for trustee upskilling.

These appointments have continued to be a key area of growth, with some firms reporting that over half of their new opportunities were for sole corporate trustees. More sponsors and schemes are also appointing a professional trustee firm with a view to them becoming sole corporate trustee in future – trying out the firm before committing to a sole trustee model.

There has been a notable trend towards larger schemes adopting a sole trustee model in the right circumstances. The largest sole trustee appointment for firms has grown significantly and six firms reported £1bn+ sole trustee roles.



**26 existing trustee** appointments moved to a Sole Corporate Trustee over the year



**£58bn assets** under the management of Sole Corporate Trustees

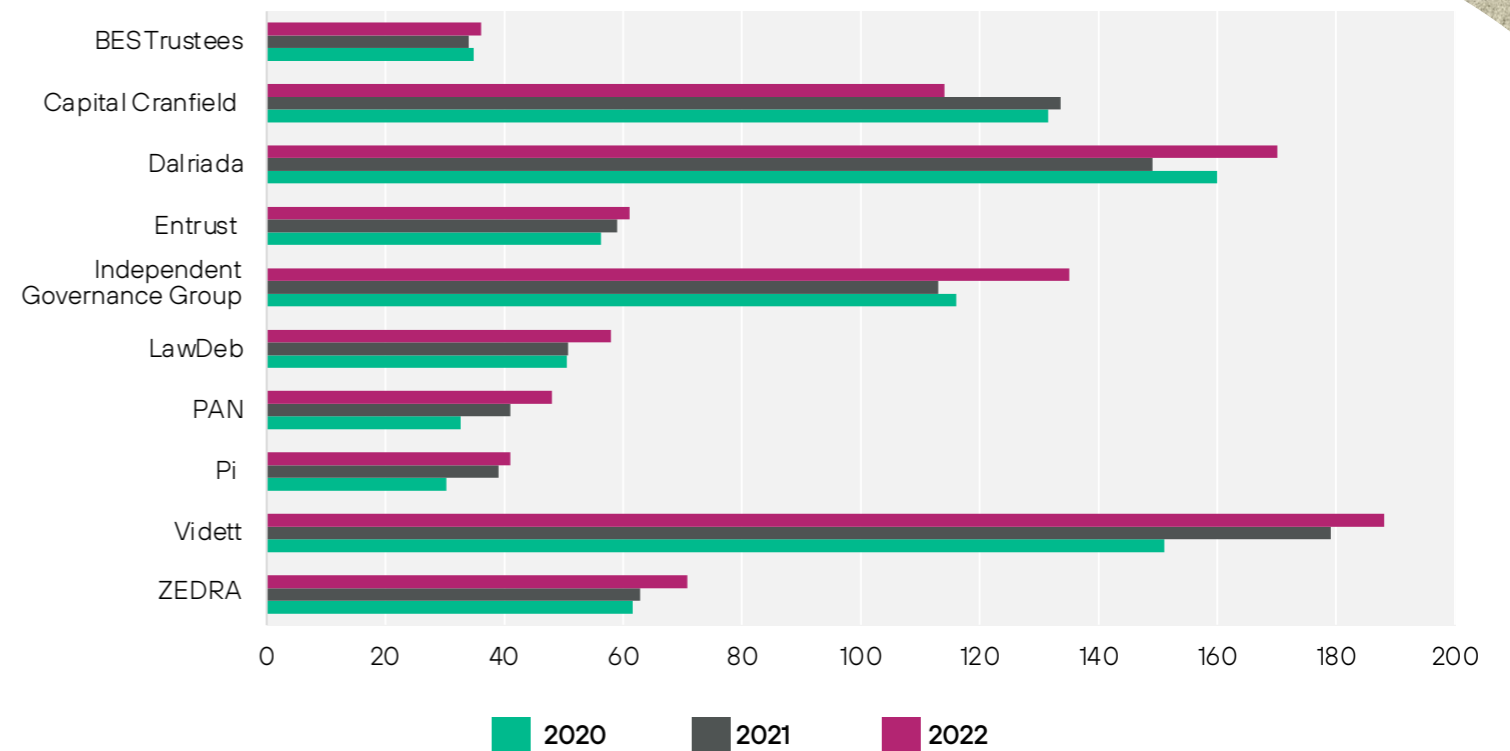


**£63m average asset size** by appointment



**largest scheme** is over **£5bn**

Number of Sole Corporate Trustee Appointments





# Equality, Diversity and Inclusion

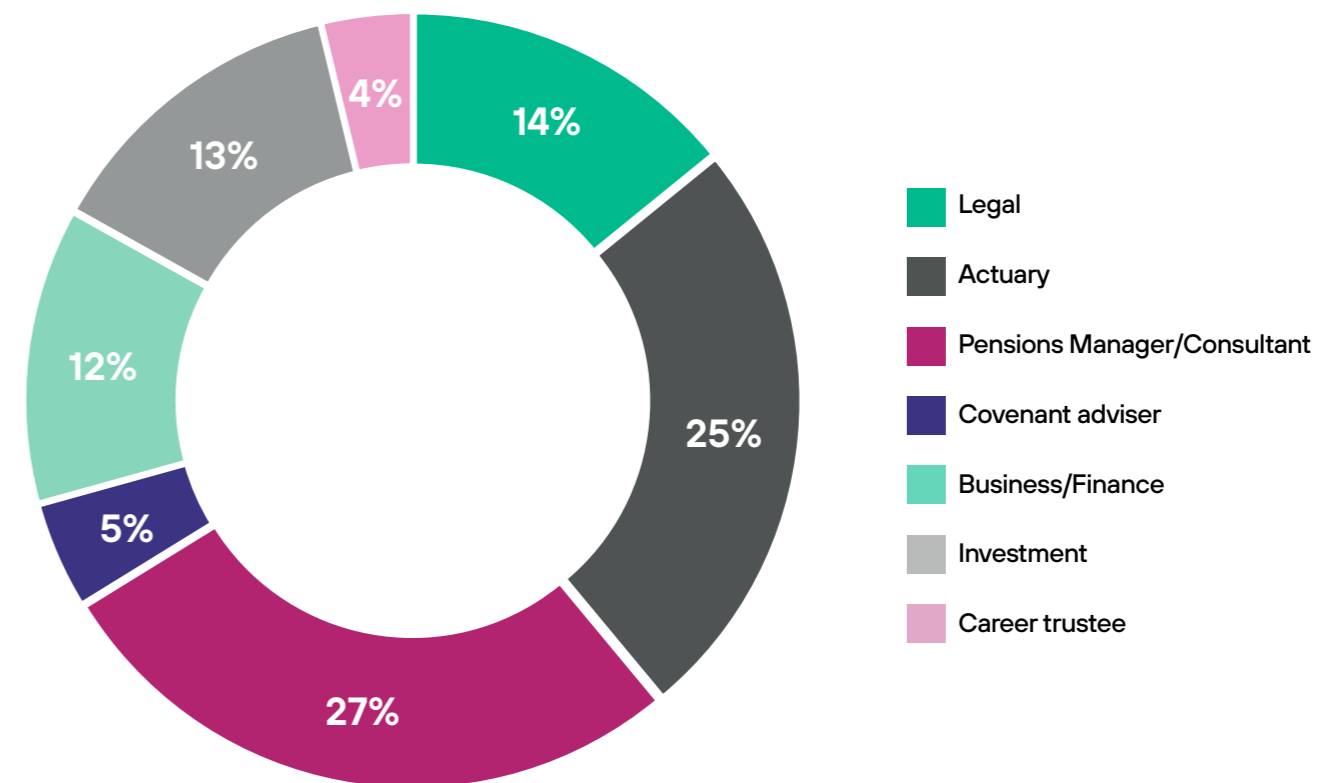


Equality, Diversity and Inclusion remains high on the agenda of the professional trustee firms and their clients. Increasingly clients are turning to professional trustees to help meet their diversity objectives.

Firms' themselves are naturally becoming more diverse as trusteeship is now regarded as a career in its own right. Joining a professional trustee company is no longer primarily a late career option, and mid-career hires are becoming more frequent. In some cases, individuals are entering the job market for the first time as career trustees.

One aspect of diversity is the professional background of the lead trustee directors, which has remained consistent in the past few years.

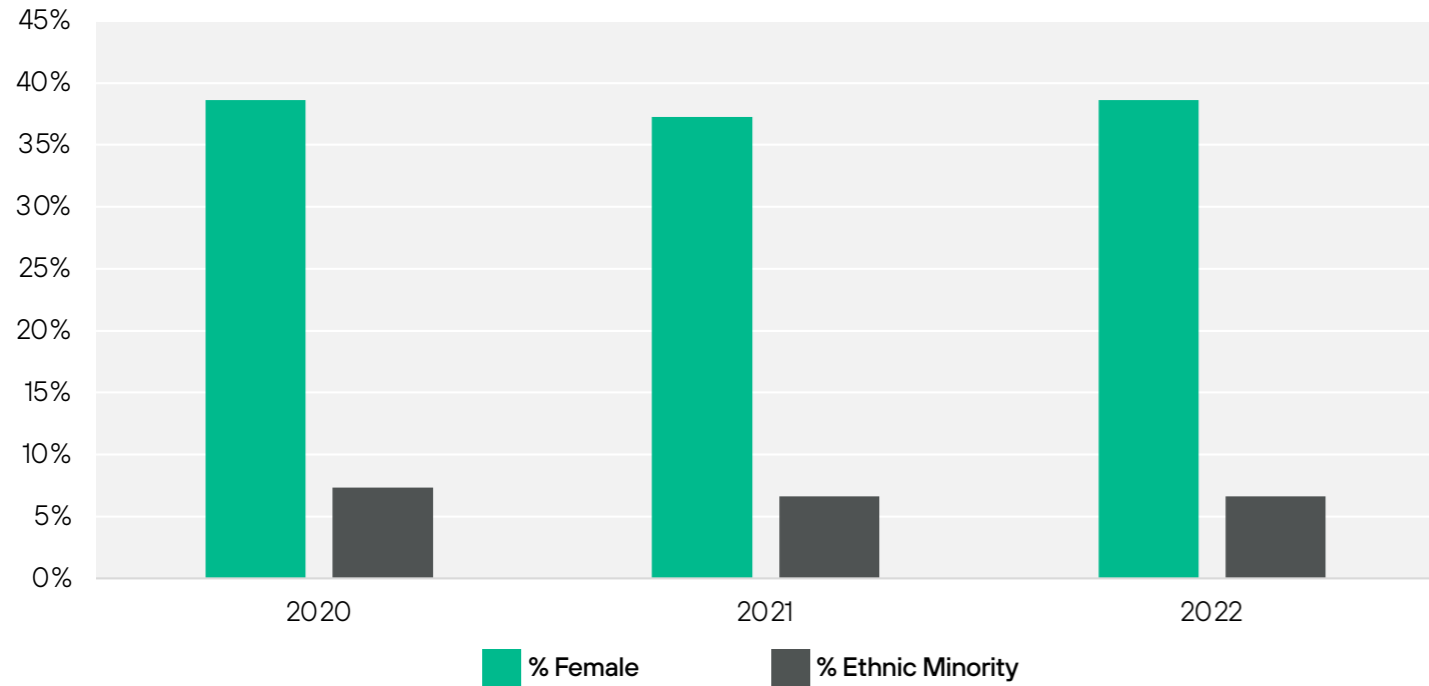
Professional background of Trustee Directors





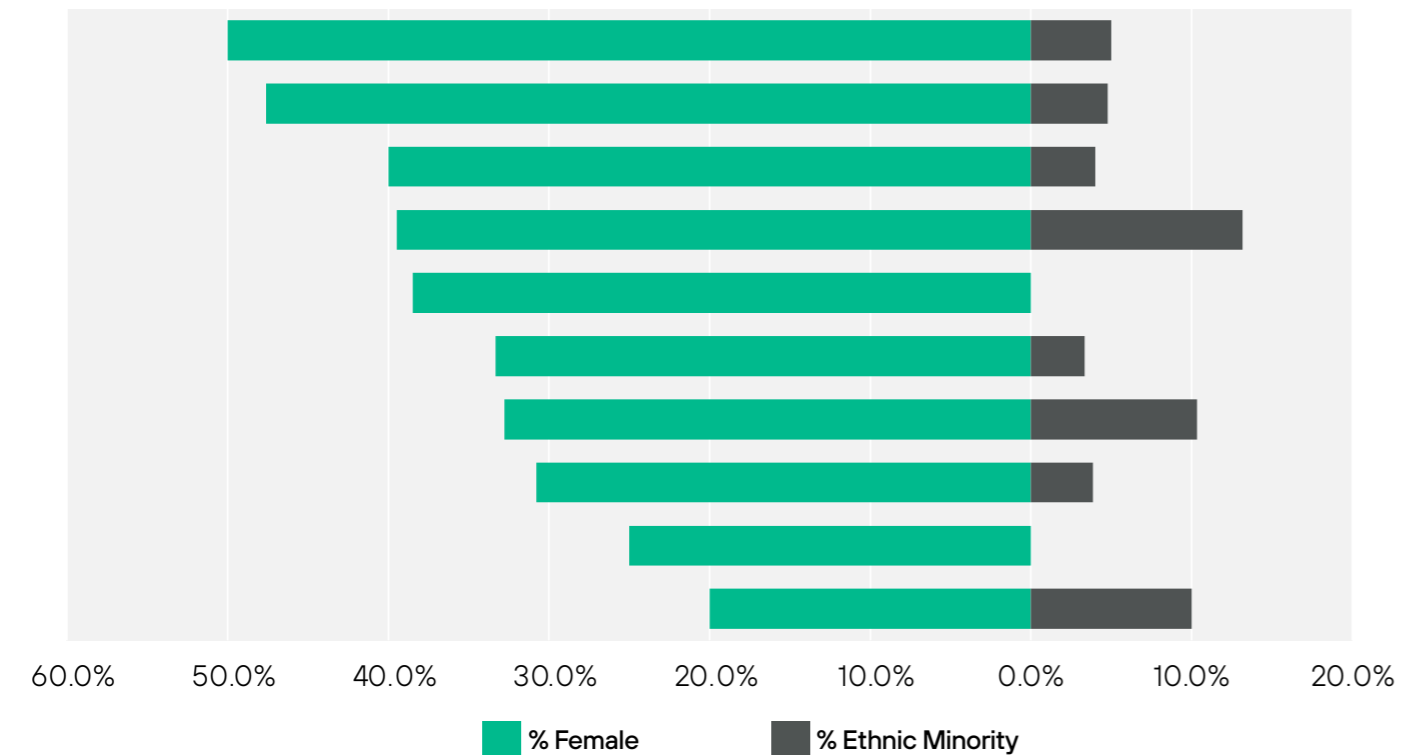
In practice sponsors and schemes are often more interested in physical diversity characteristics, particularly gender and race. Among trustee directors, the aggregate data is similar to the previous two years – perhaps not surprising given that there isn't significant turnover in these roles. Statistics may well be different once supporting staff are taken into account.

### Racial and gender diversity of Trustee Directors



Based on our interviews with survey participants every organisation is striving to improve cognitive and traditional diversity. The distribution chart presented below, with anonymised data, illustrates the diversity in gender and race figures across the firms.

### Racial & gender diversity by firm



“Gender and racial diversity is a key consideration in appointments”





Part 2

# The firms compared.

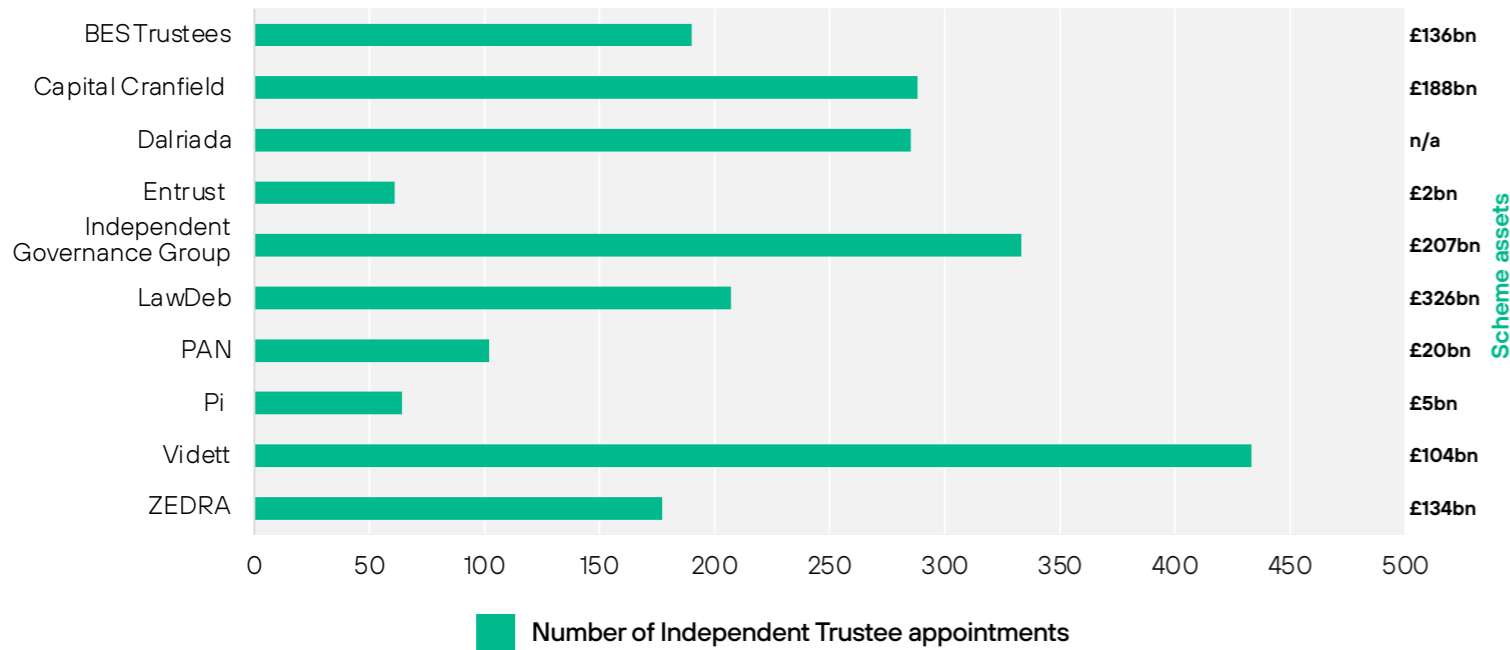
“The market needs a choice of different firms”



# Appointments

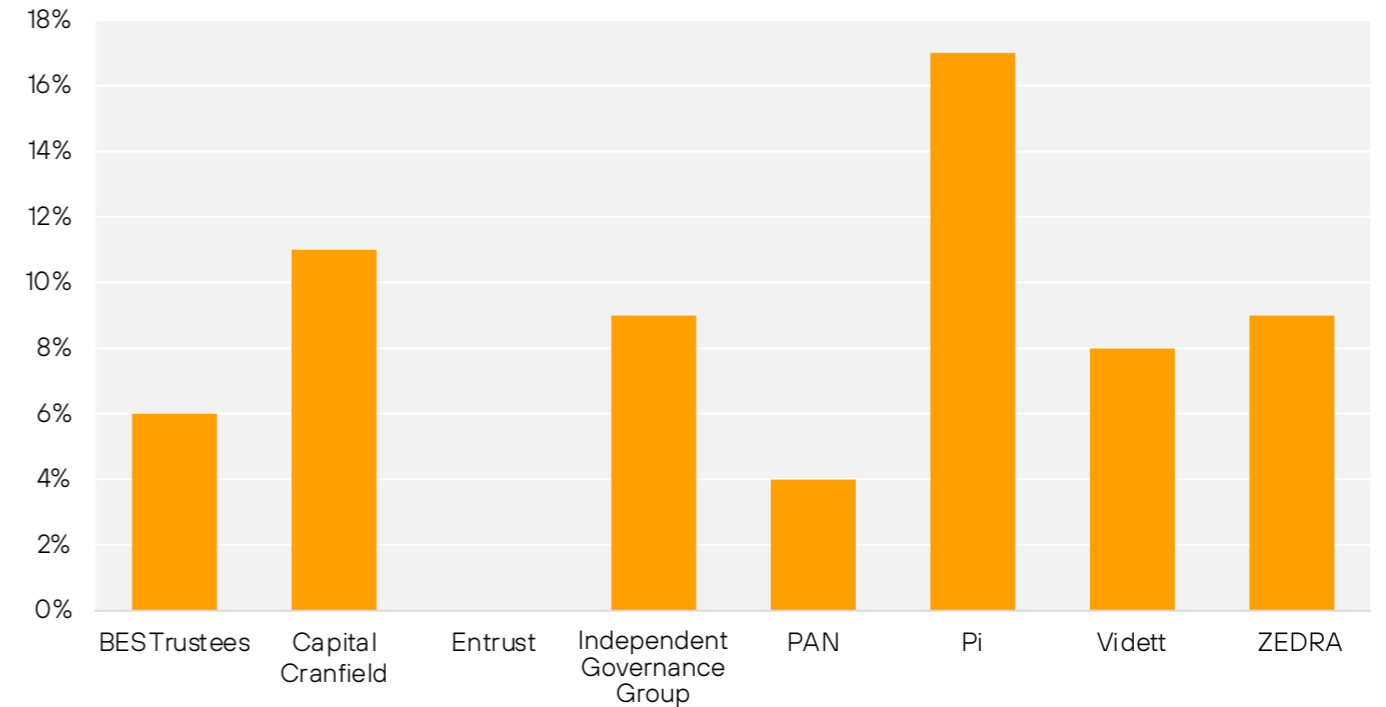
The chart shows the number of pension trustee appointments (excluding MasterTrusts) held by each firm together with an estimate of the total assets in those pension schemes. Naturally, the asset figures are heavily influenced by appointments to the very largest schemes, and there will be a few duplicates for those large schemes who have multiple professional trustees. Given significant volatility in pension scheme asset values over 2022 there are almost certainly inconsistencies between firms and compared to our data in previous years – the asset values should be seen as indicative.

## Appointments and scheme assets



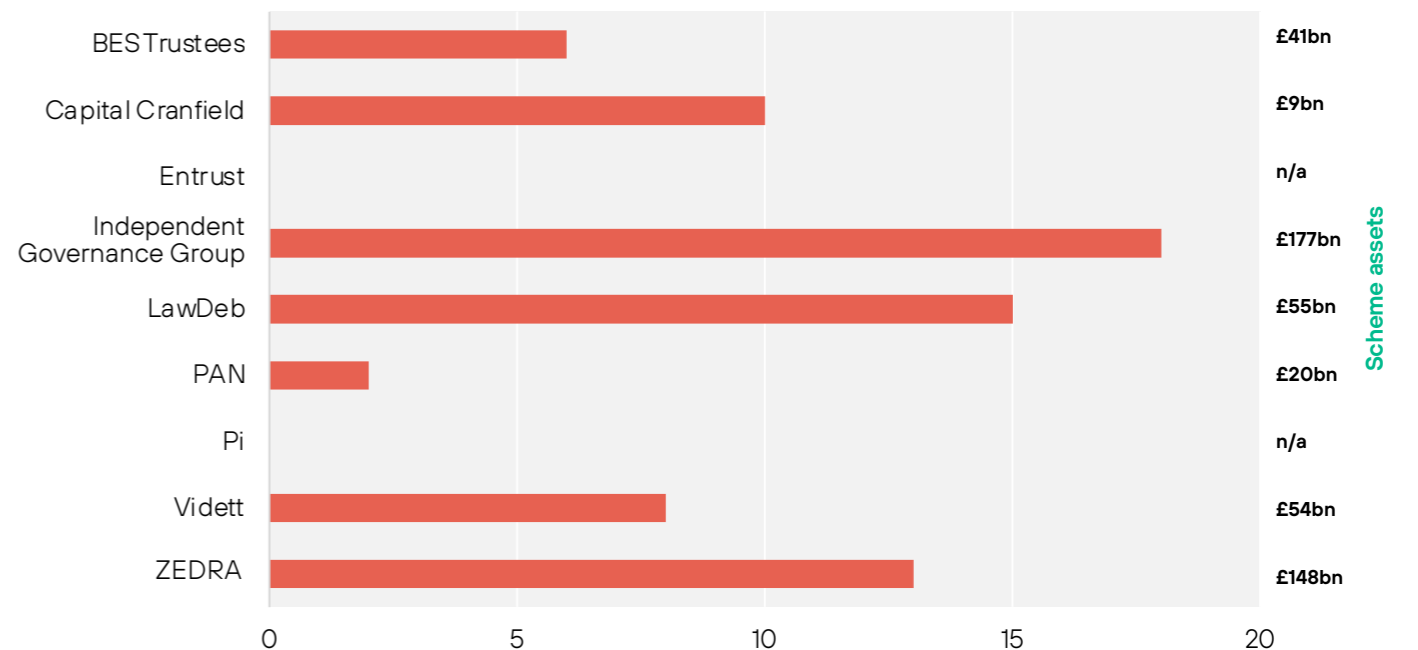
The majority of these appointments are to Defined Benefit (or hybrid) schemes, reflecting the profile of trust-based schemes in the market. But firms do have some pure Defined Contribution scheme appointments, although not all firms had this data readily available.

## Approximate % of Trustee appointments that are pure DC



The main survey results exclude appointments to MasterTrusts and Independent Governance Committees (IGC's) – typically very large arrangements for multiple employers. But this remains an important area of business for some firms, illustrated below. Many of these have several professional trustees, so the asset values shown will inevitably include some duplication.

## Number of appointments to DC MasterTrust & Independent Governance Committees



Note: Data not available for Dalriada

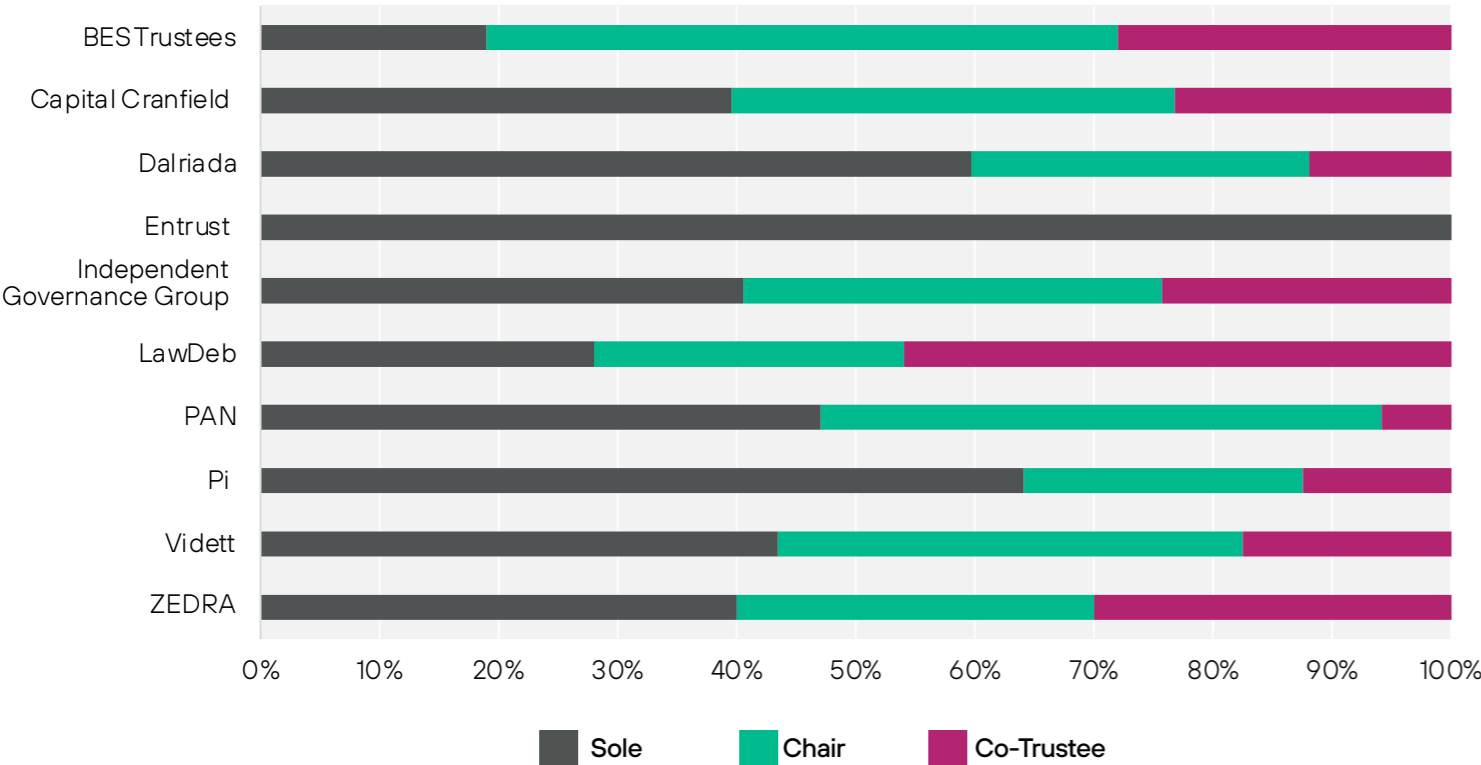


# Roles and Approach

## Roles in a similar manner to approaches opposite

Firms can be appointed as Sole Corporate Trustee, as Chair of a bigger trustee board or as 'co-trustee' – one of a number of trustees on a board (but not acting as Chair).

### Roles taken by the firm



The majority of companies have a similar distribution among the three models, with differences based on their business models and past experiences. Sole trusteeship remains a crucial element for all firms, with eight out of ten currently having at least 40% of their appointments in the sole trustee category.

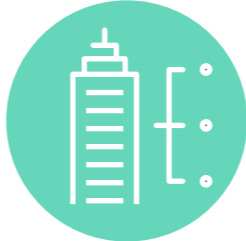
Other points of interest are PAN Trustees and BESTrustees with their focus on Chair appointments, and Law Debenture's co-trustee roles, which may reflect its portfolio of larger schemes. Entrust concentrates on sole trusteeship, primarily through a consolidator vehicle for which it serves as the sole trustee.

## Approaches

Firms' portfolios of trustee appointments are all different, and they have built up correspondingly varied approaches to service clients. We saw last year a divergence in firms' philosophy around trustee governance and this seems to have hardened as firms focus on their strengths and beliefs in a competitive market.

Most firms have a range of approaches and services depending on the client circumstances so inevitably there is some generalisation in describing a firm's philosophy. But we are seeing distinct types of firms emerge around their primary or preferred approach to market.

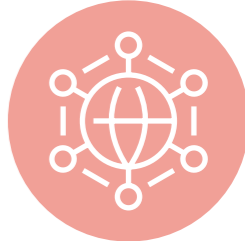
We have illustrated this in the diagram below with firms in three clusters:



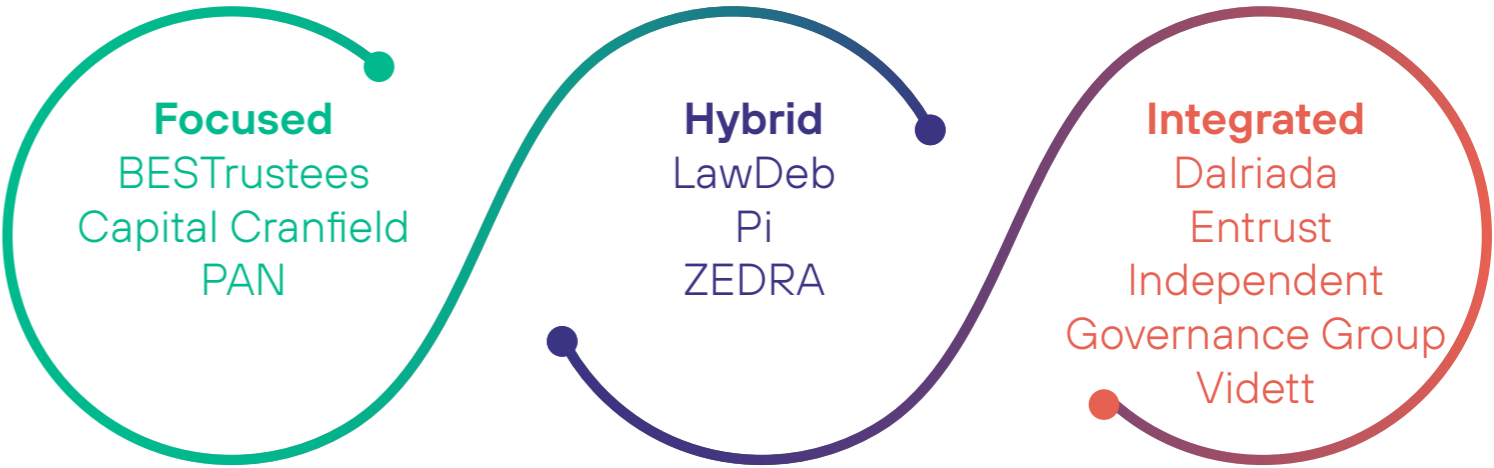
**Focused**  
Firms that focus on a pure trustee role, stressing the benefit of independence, with no potential distractions from making the best decisions. This will often involve one or more experienced individuals acting as a non-executive trustee – making decisions but using executive teams or advisers to deliver the Scheme's strategy.



**Hybrid**  
Firms that have a mixed client base or service offering that can fit either description depending on the circumstances. Often any broader governance services are provided under separate arrangements to an independent trustee appointment – or even to a completely different client-base.



**Integrated**  
Firms who emphasise a packaged solution to pension scheme governance – taking problems away from clients. They are likely to use a broader team of people, with a more executive approach to delivery. They may involve internal subject matter experts in specific areas, act as Secretary and deliver other governance and project support.





The table provides a summary of the typical operational methods employed by focused, hybrid, and integrated firms. Governance and extended services can encompass a broad spectrum of activities that vary depending on the circumstances. These activities may include acting as scheme secretary, drafting meeting minutes, creating governance documents and ensuring adherence to regulations, overseeing advisor evaluations and project management, and potentially functioning as a complete executive support team for the trustee.

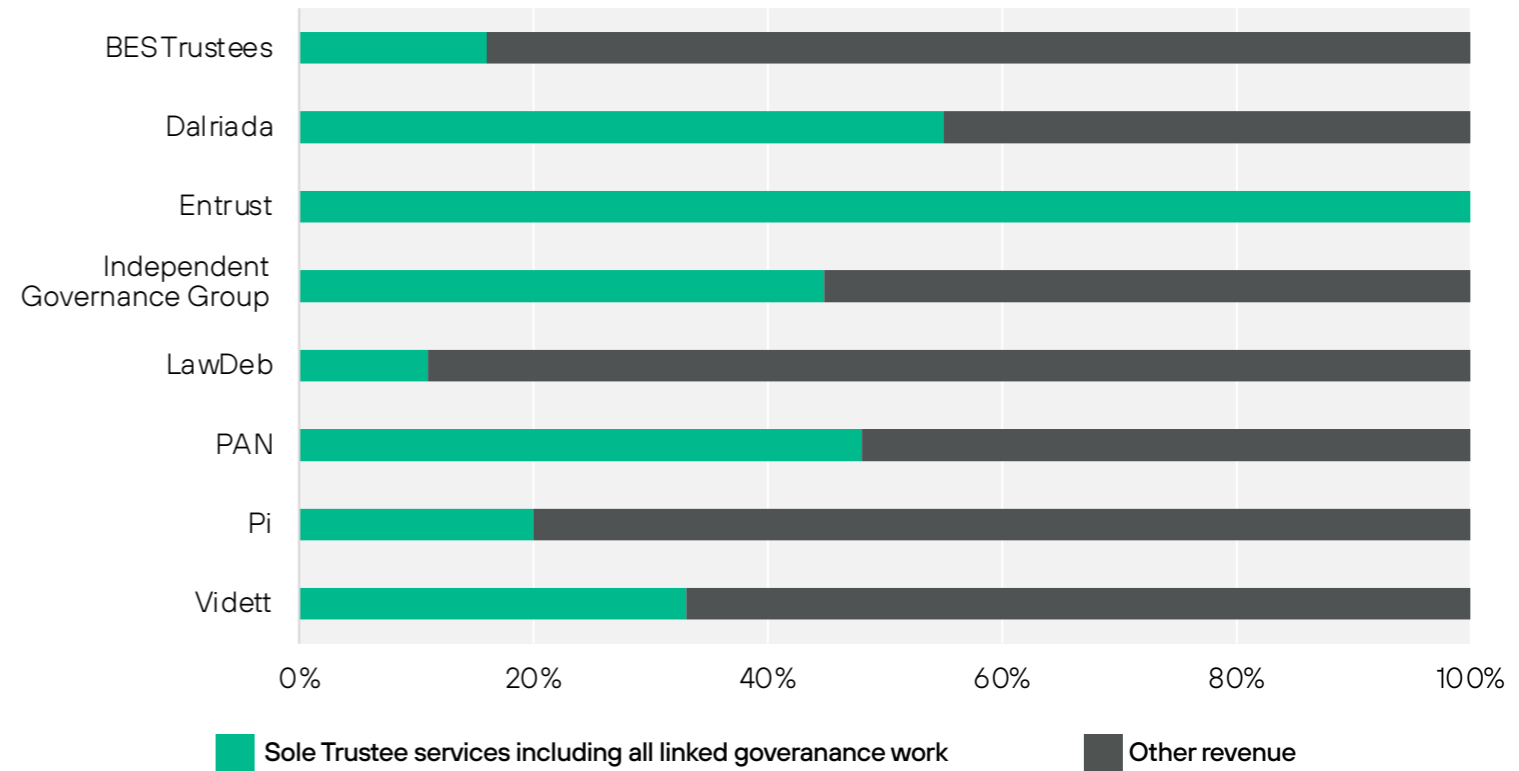
	Focused	Hybrid	Integrated
Full chair / co-trustee roles	Yes	Yes	Yes
Governance services	Typically outsourced	Yes – but usually bought separately	Yes – often packaged
Full sole trustee proposition	Yes	Yes	Yes
Extended services, e.g. executive projects	No	Yes – but bought separately	Yes – as appropriate

# Services

This section provides an insight into the offerings of each firm, where data was available.

As demonstrated earlier in the survey, sole trusteeship is a significant source of income for the firms, with some having greater exposure than others.

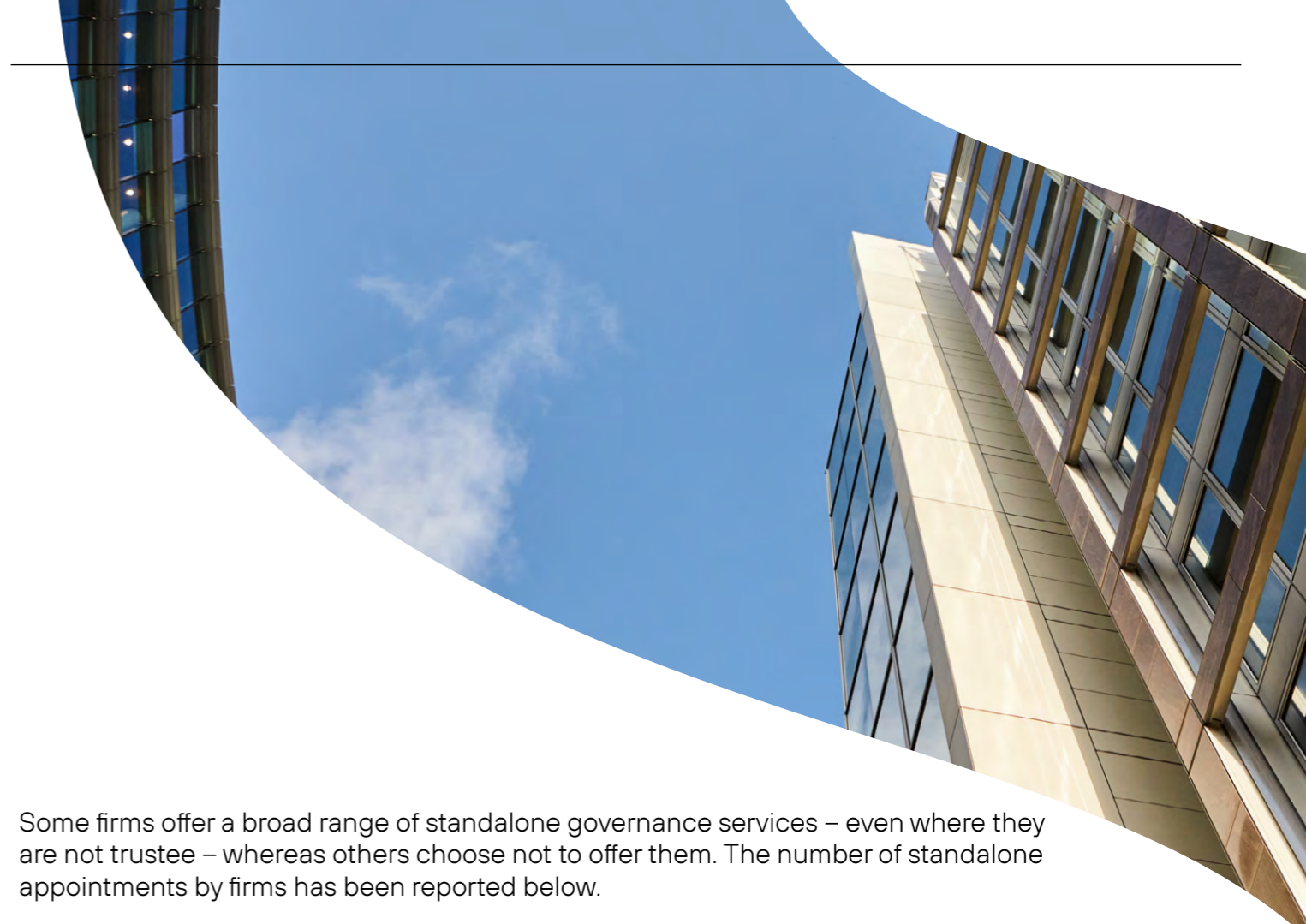
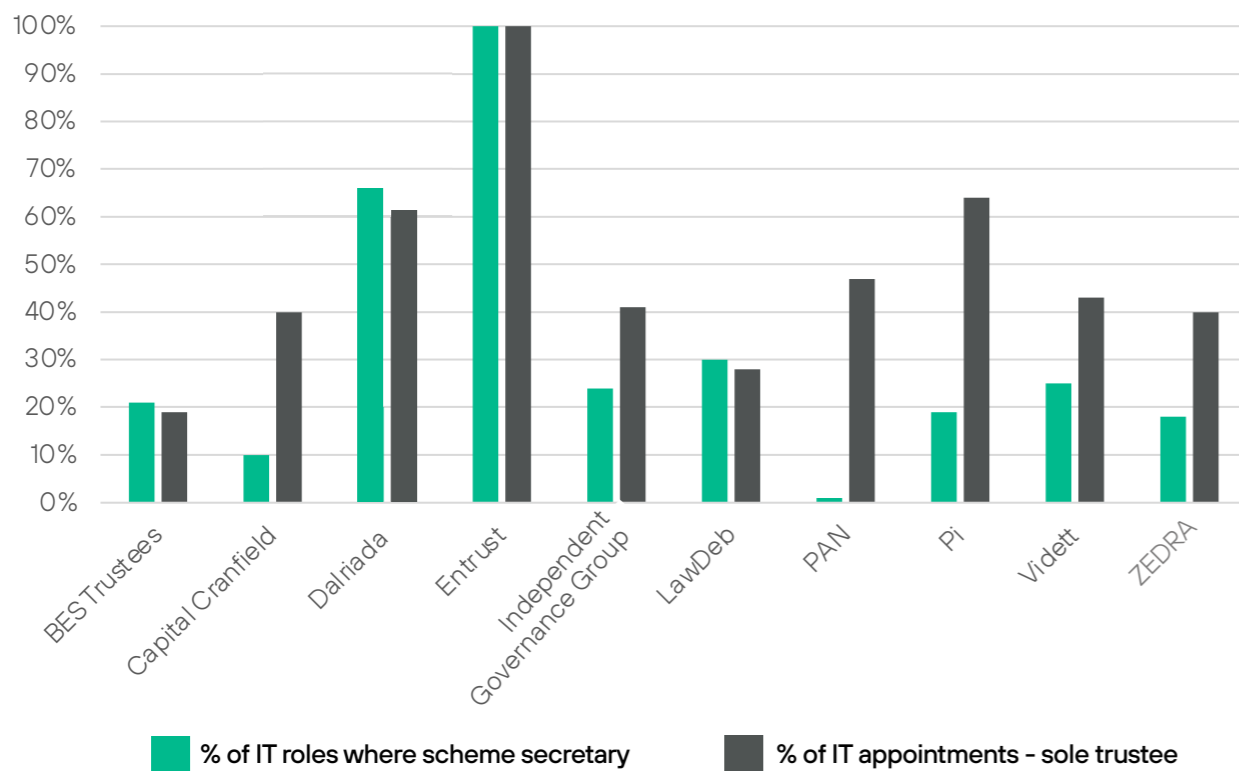
## % of revenue





The chart shows the proportion of appointments as sole trustee alongside the percentage of appointments in which the firm serves as scheme secretary. Acting as a sole trustee does not necessarily imply that the firm also serves as the scheme secretary although this may be the case. Variations among firms are influenced by their individual models, with for example PAN are less inclined to assume the role of scheme secretary, while Entrust incorporates it as part of their core offering.

### Appointments as Scheme Secretary



Some firms offer a broad range of standalone governance services – even where they are not trustee – whereas others choose not to offer them. The number of standalone appointments by firms has been reported below.

Appointments where not a Trustee	Secretarial	Governance/ executive services
<b>BESTrustees</b>	0	0
<b>Capital Cranfield</b>	1	3
<b>Dalriada</b>	12	5
<b>Entrust</b>	0	0
<b>Integrated Governance Group</b>	6	0
<b>LawDeb</b>	3	1
<b>PAN</b>	0	0
<b>Pi</b>	22	7
<b>Vidett</b>	17	27
<b>ZEDRA</b>	6	2



Note: Pi figures include Pi Consulting appointments. The ZEDRA figures are for their trustee business, and exclude their sister company Inside Pensions.

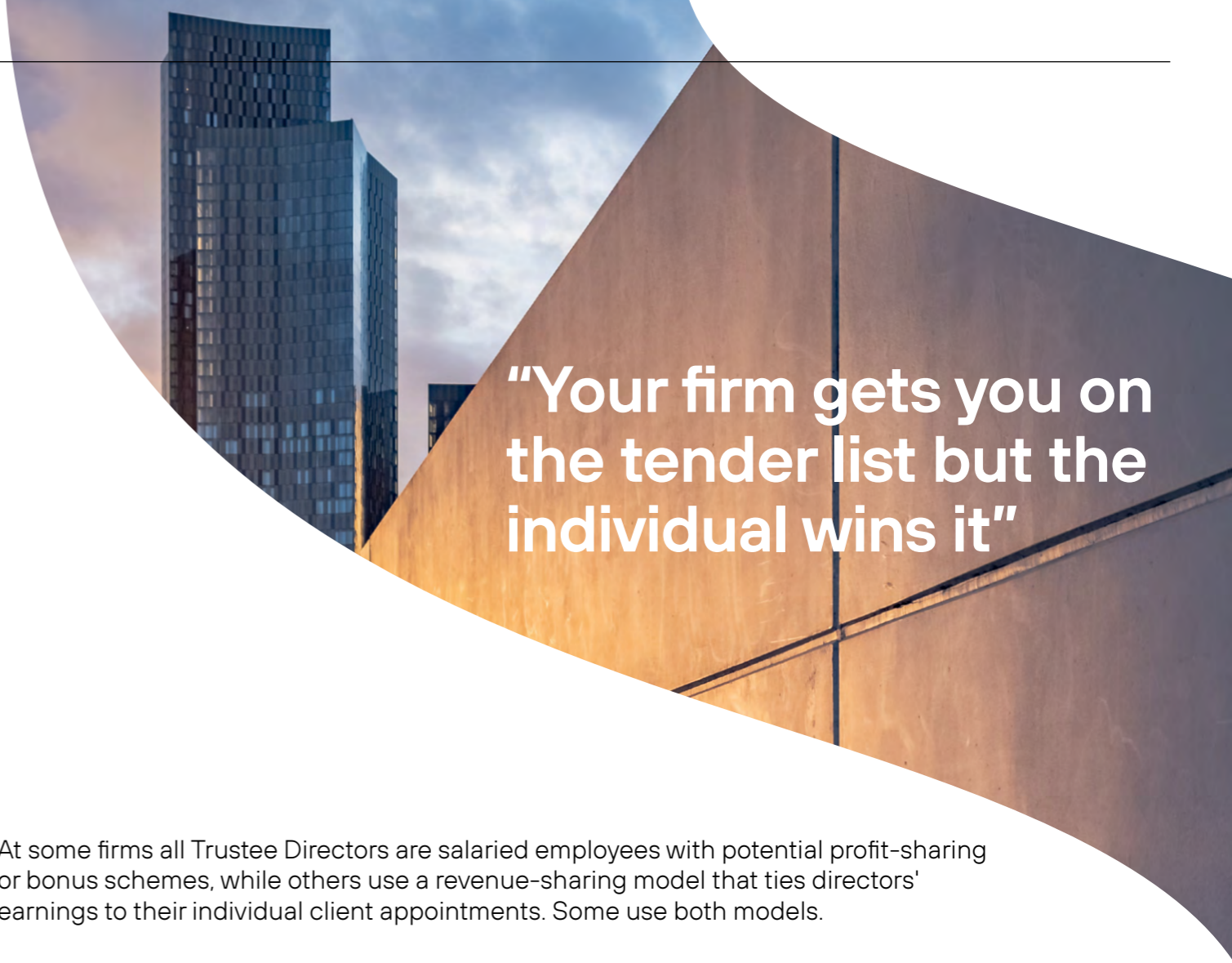
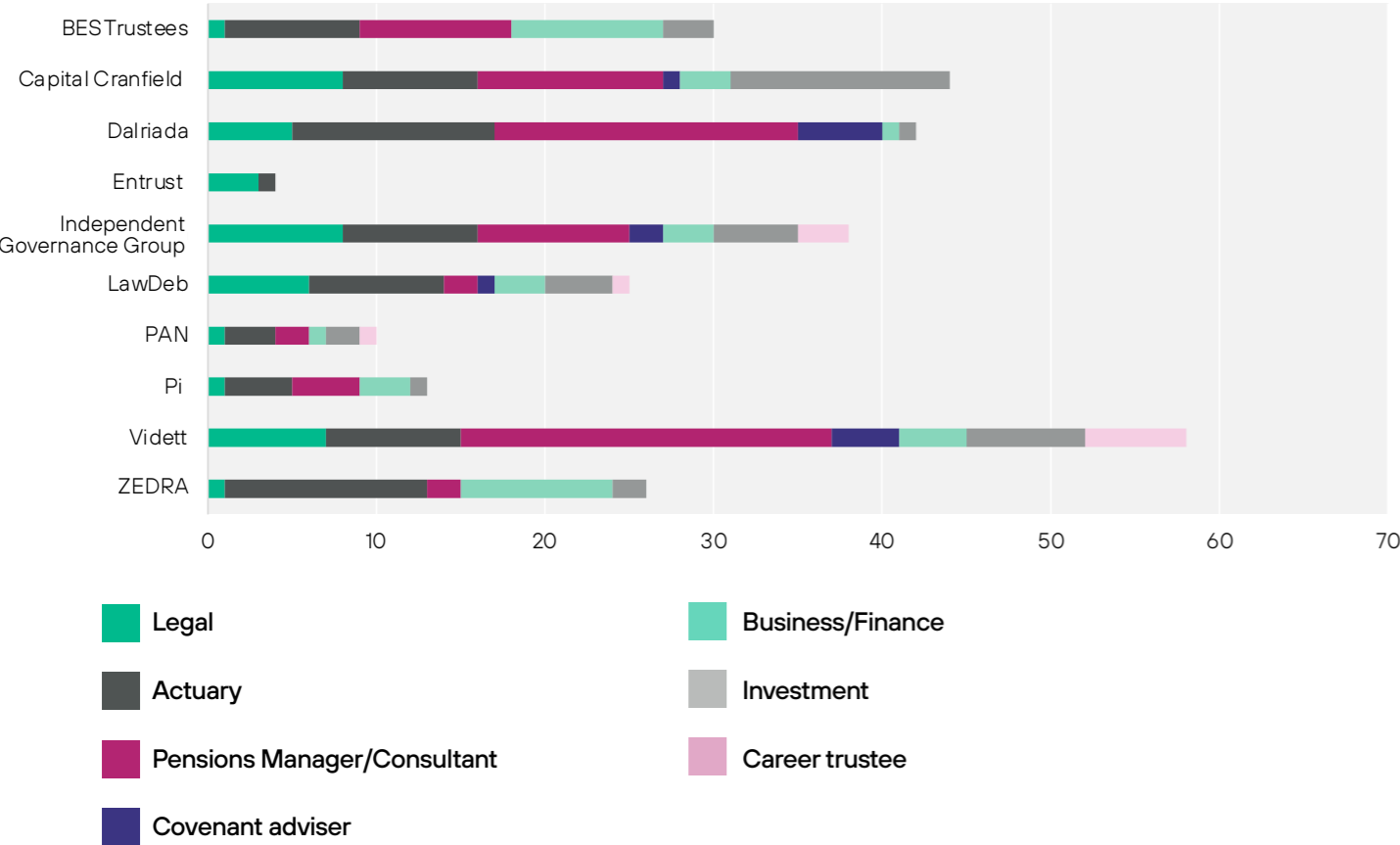


# People

The key personnel at firms are the Trustee Directors (some firms use other titles). These are the face of the organisation at trustee meetings and in sponsor discussions. Firms give the lead Trustee Director significant autonomy and responsibility for their individual schemes.

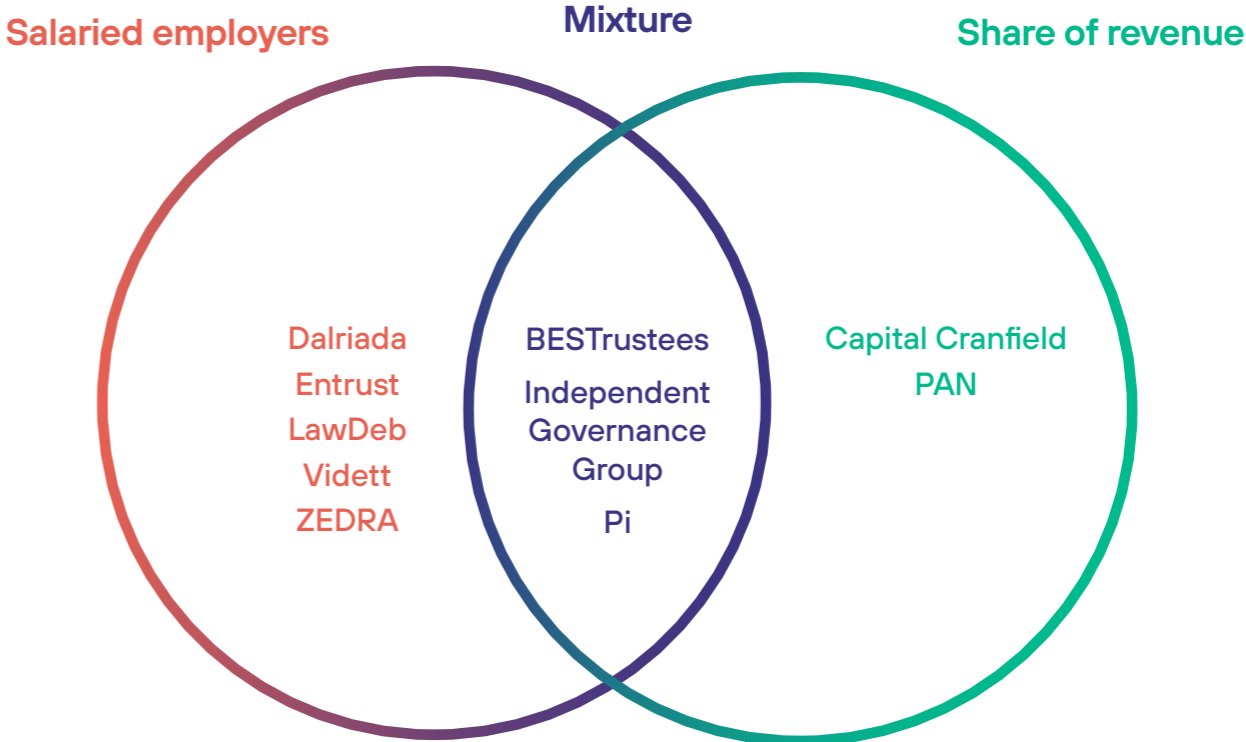
These Trustee Directors typically come from a professional background and many have deep pensions expertise. This is not surprising given the Pension Regulator's expectations for professional trustees.

## Professional background of Trustee Directors



**"Your firm gets you on the tender list but the individual wins it"**

At some firms all Trustee Directors are salaried employees with potential profit-sharing or bonus schemes, while others use a revenue-sharing model that ties directors' earnings to their individual client appointments. Some use both models.

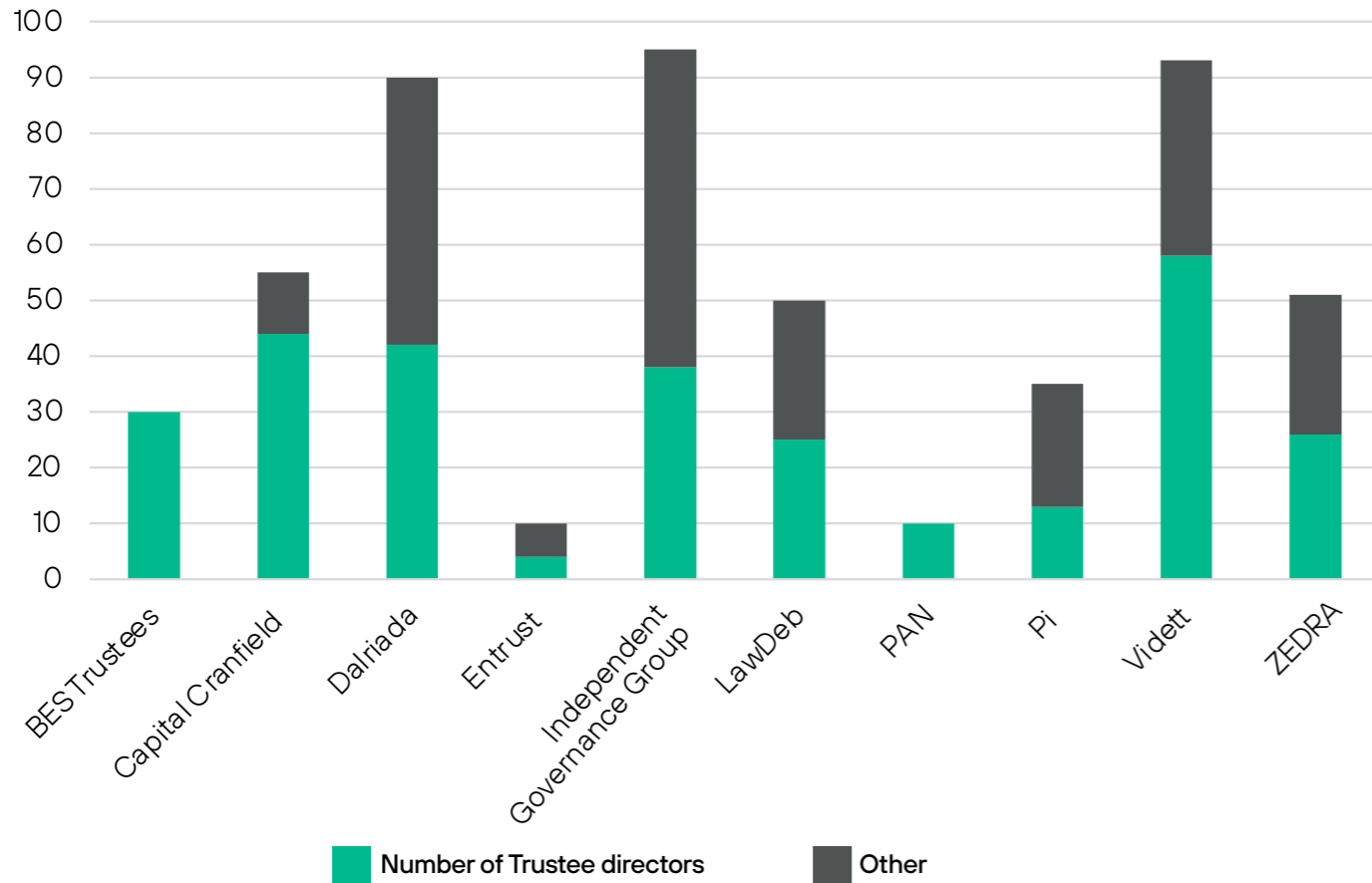




## Broader teams

The chart shows the number of client-facing staff at each firm split between Trustee Directors and supporting staff – noting that most firms will also have additional back-office support.

### Split of client facing staff

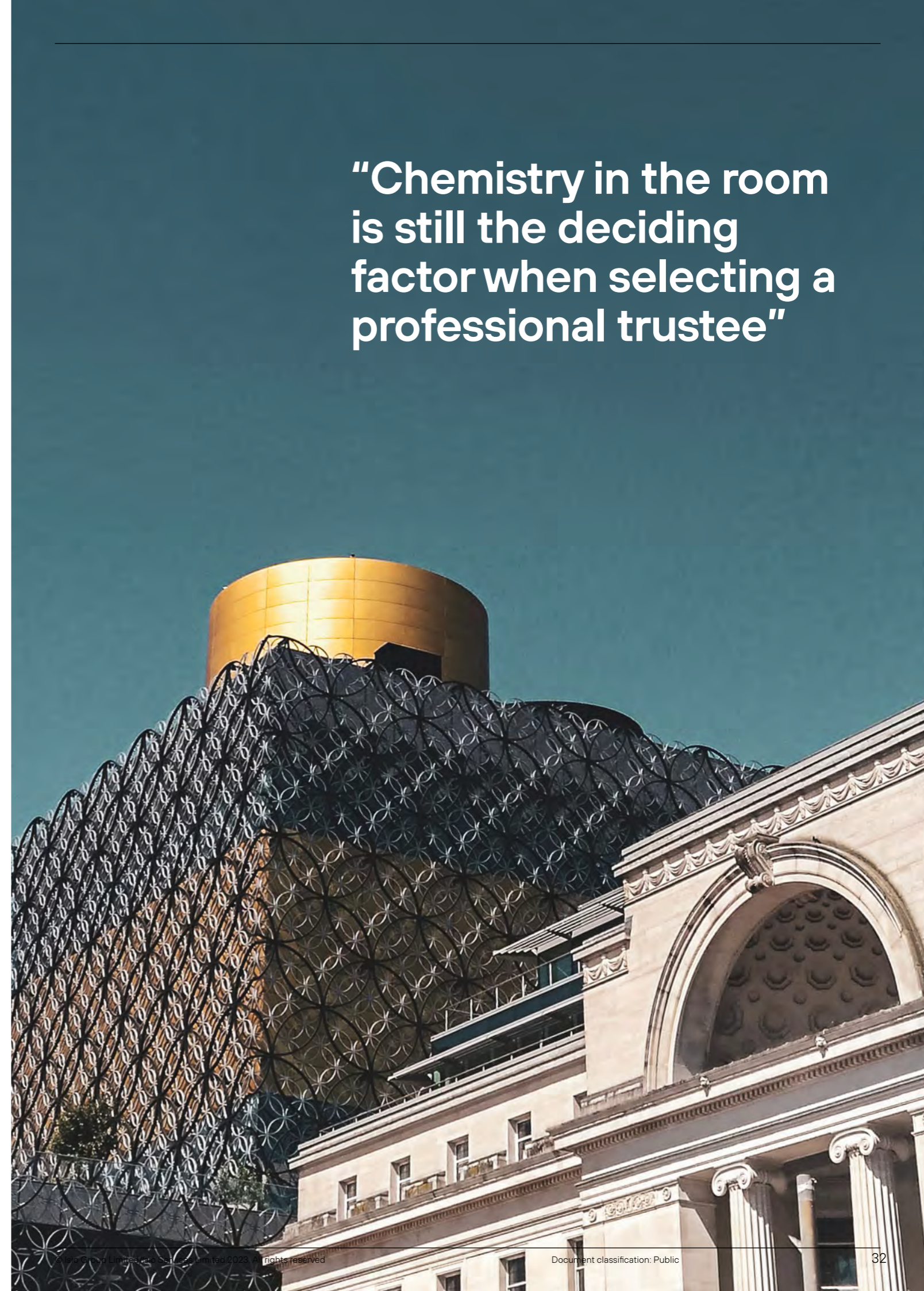


Differences in delivery models are illustrated by the data, with some firms having as many (or more) supporting client staff as front-line Trustee Directors. This often reflects a team approach to trusteeship or additional governance services, and many sole trustee appointments operate this way. In contrast some firms focus primarily on the Trustee Directors, relying on advisers or pension manager teams to provide the appropriate support. Pi and LawDeb both have separate arms to their businesses providing standalone governance support which comes through in their figures.

## Accreditation

The Association of Professional Pension Trustees (APPT) and the Pensions Management Institute (PMI) offer voluntary accreditation programs to enhance the standards in the professional trusteeship sector. These have been well-received by firms, with all the firms' Trustee Directors obtaining accreditation, as well as over 30 supporting staff across the firms.

**“Chemistry in the room is still the deciding factor when selecting a professional trustee”**





# Part 3



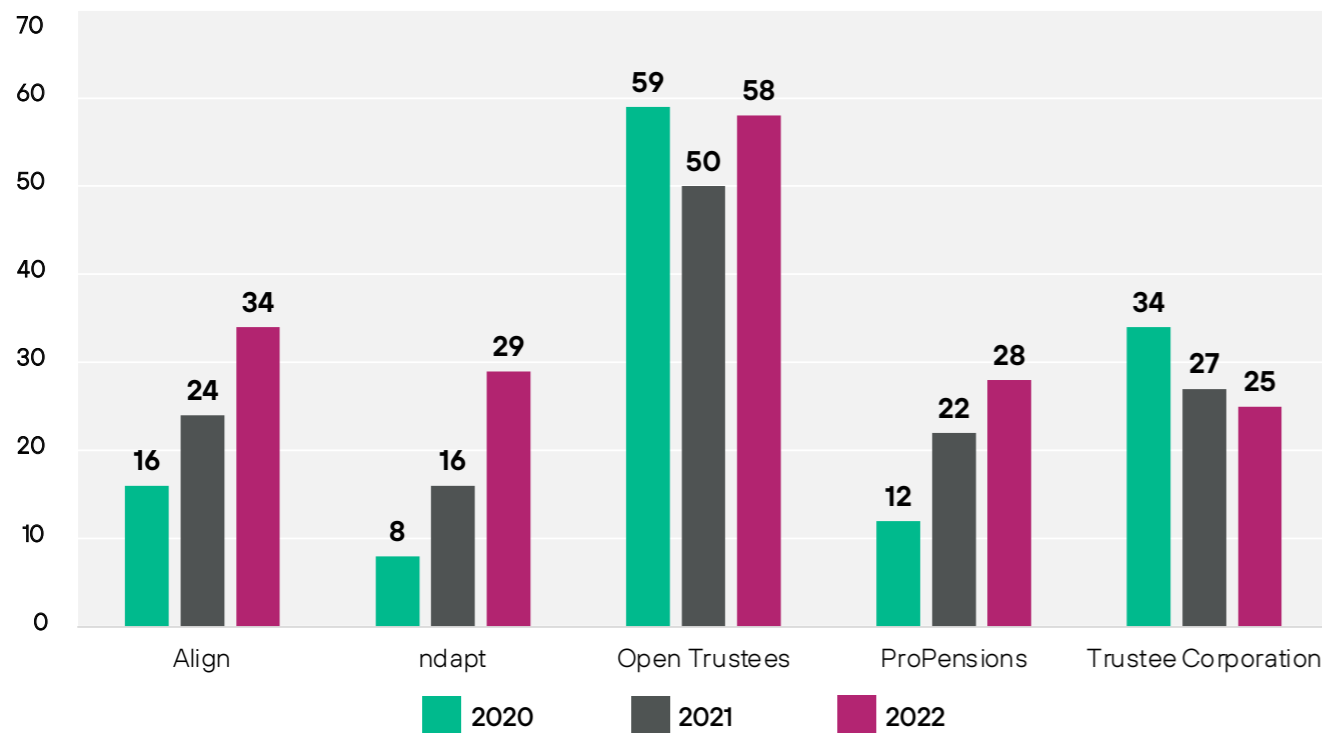


# Mid-tier Firms

In addition to the 10 large firms in our survey, we invited a range of other Professional Trustee firms to provide information about their size and services. Some of these are firms with a long heritage while others are relatively new and growing quickly. This is not a comprehensive review of the market, but a summary of the information provided is shown below.

	Align	ndapt	Open Trustees	ProPensions	Trustee Corporation
<b>Ownership</b>	Limited Company	Director - owned	Subsidiary of Law firm Osborne Clarke	Limited Company	Limited company - shares are owned by Squire Patton Boggs (UK) LLP
<b>Year established</b>	2019	2020	1992	2019	1986
<b>Number of Trustee Directors</b>	4	10	6	3	6
<b>Number of other staff</b>	0	1	6	1	41
<b>Number of IT appointments</b>	34	29	58	28	25

Number of IT Appointments



Note: Some of these firms deal with a number of PPF assessment cases and wind-up appointments made by the Pensions Regulator – so their appointments rise and fall as these wind-ups or PPF transfers are completed

# Choosing a Professional Trustee

Having to choose from numerous firms, operating models, and individuals can make it difficult to determine the best starting point. However, having a clear thought process can help you make the right decision for your scheme.

## Why do you want a professional Trustee?

- What will an IT help you achieve, is it to enable faster decisions, fill a knowledge gap, improve diversity, reduce management time or help deliver a de-risking or buy-out strategy?

## What role do you want them to fill?

- Do you want a Sole Trustee, a chair role or are there specific areas or sub-committees that need attention such as investment one to example?

## What do you want from the individual and/or firm?

- Skills and experience, both technical and softer skills
- Working style, hands-on and taking control or strictly non-executive?
- Do you want a firm with depth of resource or a sole trader?
- Individual style and fit is crucial but will usually be tested at interview

Once your needs have been identified, the process of finding the right individual and firm becomes simpler. With well-defined requirements, firms can present individuals who meet the criteria. Personal recommendations and gap analyses that capture the diversity, skills, and experience of the trustee board can be helpful in creating a shortlist. It is advisable to seek multiple opinions to obtain a comprehensive view of the market.










# Appendices

# Participants

We'd like to thank the largest firms who participated for their support in making this survey possible.

We collected data from the 10 largest firms via a combination of a questionnaire completed by each firm and an interview with a senior individual, usually the CEO.

Firm	Website	Contact
 BESTRUSTEES	<a href="http://www.besttrustees.co.uk">www.besttrustees.co.uk</a>	Zahir Fazal
 Capital Cranfield	<a href="http://www.capitalcranfield.com">www.capitalcranfield.com</a>	Harus Rai
 Dalriada. A better way	<a href="http://www.dalriadatrustees.co.uk">www.dalriadatrustees.co.uk</a>	Chris Roberts
 ENTRUST	<a href="http://www.gateleyplc.com/entrust">www.gateleyplc.com/entrust</a>	Stuart Evans
 Independent Governance Group	<a href="http://www.weareigg.com">www.weareigg.com</a>	Ian Terry and Mark Wileman
 LawDebenture	<a href="http://www.lawdebenture.com">www.lawdebenture.com</a>	Vicky Paramour
 PAN TRUSTEES	<a href="http://www.pantrustees.co.uk">www.pantrustees.co.uk</a>	Nick Chadha
 Pi Pension Trustees	<a href="http://www.pipartnershipgroup.co.uk">www.pipartnershipgroup.co.uk</a>	Amanda Burden
 Vidett trustee.governance.experts	<a href="http://www.vidett.com">www.vidett.com</a>	Naomi L'Estrange and Wayne Phelan
 ZEDRA	<a href="http://www.zedra.com">www.zedra.com</a>	Colin Musgreaves



# isio.

If you need help in selecting a professional trustee, please do not hesitate to contact Isio. We have extensive experience in this field and can provide valuable guidance.

## Contact

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